

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 28, 2021**

Pasadena Studios, located at 274 & 282 N. Oakland Avenue in Pasadena, requested and is being recommended for a reservation of \$1,990,057 in annual federal tax credits and \$7,462,713 in total state tax credits to finance the new construction of 179 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Community Builders Group, LLC and will be located in Senate District 25 and Assembly District 41.

Project Number CA-21-430

Project Name Pasadena Studios
Site Address: 274 & 282 N. Oakland Avenue
Pasadena, CA 91101 County: Los Angeles
Census Tract: 4622.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,990,057	\$7,462,713
Recommended:	\$1,990,057	\$7,462,713

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Community Builders Group, LLC
Contact: Maria Seager
Address: 424 N. Lake Ave., Suite 305
Pasadena, CA 91101
Phone: (626) 797-3888
Email: mseager@thecbg.com

General Partner(s) or Principal Owner(s): Central Valley Coalition for Affordable Housing
Pasadena Studios, LLC

General Partner Type: Joint Venture

Parent Company(ies): Central Valley Coalition for Affordable Housing
Community Builders Group

Developer: Community Builders Group, LLC

Investor/Consultant: WNC & Associates

Management Agent: WinnResidential California L.P.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 181

No. / % of Low Income Units: 179 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt

Bond Information

Issuer: CA Statewide Communities Development Authority
 Expected Date of Issuance: October 28, 2021

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 18	10%
50% AMI: 18	10%
60% AMI: 143	80%

Unit Mix

180 SRO/Studio Units
1 1-Bedroom Units
181 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>2021 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
18 SRO/Studio	30%	30%	\$591
18 SRO/Studio	50%	50%	\$986
143 SRO/Studio	60%	60%	\$1,183
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,525,000
Construction Costs	\$26,384,017
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,319,201
Soft Cost Contingency	\$400,000
Relocation	\$0
Architectural/Engineering	\$1,300,983
Const. Interest, Perm. Financing	\$2,458,695
Legal Fees	\$185,000
Reserves	\$484,396
Other Costs	\$1,556,558
Developer Fee	\$4,991,781
Commercial Costs	\$0
Total	\$44,605,631

Residential

Construction Cost Per Square Foot:	\$598
Per Unit Cost:	\$246,440
True Cash Per Unit Cost*:	\$237,278

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank - T.E. Bonds	\$24,073,678	Citibank - T.E. Bonds	\$19,638,776
Citibank - CSCDA Bond Loan	\$4,000,000	Deferred Developer Fee	\$1,658,313
Citibank	\$6,394,067	Tax Credit Equity	\$23,308,542
Deferred Reserves	\$484,396	TOTAL	\$44,605,631
Deferred Developer Fee	\$4,991,781		
Tax Credit Equity	\$4,661,708		

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$38,270,324
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$49,751,421
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,990,057
Total State Credit:	\$7,462,713
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,991,781
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.89000
State Tax Credit Factor:	\$0.75000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$38,270,324
Actual Eligible Basis:	\$38,270,324
Unadjusted Threshold Basis Limit:	\$59,289,381
Total Adjusted Threshold Basis Limit:	\$83,878,580

Adjustments to Basis Limit

- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 10%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 20%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses are below the minimum operating expenses established in the Regulations (See "Significant Information / Additional Conditions" Section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4.00% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions:

This Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of \$6,000. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$5,185 on agreement of the permanent lender and equity investor.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.